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Title: Local impact of tobacco buyout examined

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Lead:

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"A lot of the public out there is under the impression the tobacco buyout means there isn't going to be any more tobacco," said Danny Coffman who grows about 25 acres on his farm between Hanson and Slaughters.

Nothing could be further from the truth. The so-called "tobacco buyout" has nothing to do with ending U.S. tobacco production, paying farmers to stop growing tobacco or otherwise interfering with tobacco farming. On the contrary, the only purpose of the "tobacco buyout" is to buy the federal government's way out of the business of regulating the amount of tobacco farmers grow.

Federal control of tobacco production goes back to 1938. Congress wanted to end the price dives that left farmers destitute when there was an "abnormally excessive supply of tobacco." A quota system was created to assure a consistent flow of product and more stable prices.

"I'm 55 years old," Coffman said. "When I started farming (the quota system) was already in place."

"With burley, the quota was so many pounds you could sell," said Debbie Rudd of the Hopkins County Farm Service Agency. "If you produced more, you put it in the barn and kept it until next year."

"With dark, you had an allotment of acreage that you would report," Rudd said. "We would come out and measure it and if you had planted more than the allotment, it would have to be destroyed."

That system was ended by 2004's Fair and Equitable Tobacco Reform law, commonly referred to as the "tobacco buyout." The U.S. Department of Agriculture calls it the Tobacco Transition Payment Program.

“The government is buying the base owners out,” Rudd said.

Many of these were not actually growing any tobacco, Coffman said, but were leasing their quota allotments to producers.

“I spent January and February on the phone trying to (lease) enough quota allotment to grow, because I didn’t think the buyout would actually go through,” he said.

The government will pay quota holders \$7 per pound. Those who lease quota from quota holders — “producers” — will be paid according to a complicated formula that comes out to about \$3 per pound. Payments are being made in 10 annual installments.

“There are three categories of people,” said Graylin Crowley, a Madisonville fireman who grows about 32 acres in Hopkins and Webster Counties: “Those that grew nothing but (the amount of quota) they owned. Those who owned a little bit of quota and leased the rest. Those that leased everything,” he said.

“Those that lease everything will make money from the buyout,” Crowley said. Personally, he had a small amount of quota and leased the rest.

“I’ve been paying 50 cents a pound to lease quota,” Crowley said. “Even though the price this year is 46 cents a pound less than it was last year, I’m already ahead 4 cents. Let alone the headaches and price gouging trying to get the basis.”

Under the old system, tobacco was sold at auction. The auctions are now a thing of the past.

Under the new system, producers contract directly with the tobacco companies. Many have already been doing that.

“I’ve been contracting with the tobacco companies for about three years,” said Nebo farmer Ricky Roberts. “The biggest change is doing more paperwork and keeping up with everything.”

Roberts said he plans to slightly increase his production this year to about 37 acres of dark and burley.

“The quota system in a lot of ways was a pain in the neck, but now we’re sort of at the mercy of the tobacco companies,” Coffman said.

“If you get a good yield, you’ll make some money; but if your yield is down on the burley side you won’t make much,” Roberts said.

“Now the U.S. will be going into competition with the world,” Coffman said.

For now, at least, this won’t be a problem for him personally, he said, because he sells most of his production to U.S. Tobacco Co. in Hopkinsville which buys only American-grown.

“I think I’m dealing with a good company and am looking to expand,” he said.

Asked if he was concerned about a possible price drop and foreign competition, Crowley

said, "I'm worried to death."

"If the tobacco companies say mine is no good or they won't pay as much, I have no support price to fall back on," he said.

Crowley sells his burley tobacco to Phillip Morris. "If them guys decide to pay only \$1 a pound, the others will follow," he said.

Like Coffman, he sells his dark tobacco to U.S. Tobacco and trusts that the company will continue to buy only American and to pay a fair price.

"I don't know of a single person who grows tobacco and owns quota and is getting out," said George Kelley, Hopkins County Extension agent.

"Most of those I've talked to said they'll probably be growing an acre or two more tobacco this year," he said.

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